United Nations UNW/2017/3

Executive Board of the United Nations Entity for Gender Equality and the Empowerment of Women

Distr.: General
29 May 2017
English
Original: Arabic/Chinese/English/
French/Russian/Spanish

Annual session of 2017
27 and 28 June 2017
Item 4 of the provisional agenda
Audit matters

Report on internal audit and investigation activities for the period from 1 January to 31 December 2016

Summary

This report presents information on the internal audit and investigation functions carried out for the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women) for the period from 1 January to 31 December 2016. The UN-Women internal audit and investigation functions have been carried out under a Service Level Agreement between UN-Women and the Office of Audit and Investigations (OAI) of the United Nations Development Programme (UNDP) since March of 2012. A new Service Level Agreement was signed on 18 December 2015, extending the provision of services for an additional two years. The internal audit function is performed by the dedicated UN-Women Audit Unit of OAI in accordance with the financial regulations and rules of UN-Women (UNW/2012/6, annex I). The investigation function is carried out by OAI's Investigations Section. Information on the actions taken and management's response to the present report are set out in the annex to this report, which is also available on the UN-Women website. As requested by the Executive Board in its decision UNW/2015/11, this report includes (a) an opinion, based on the scope of work undertaken, on the adequacy and effectiveness of the organization's framework of governance, risk management and control; (b) a concise summary of work and the criteria that support the opinion; (c) a statement of conformance with the internal audit standards being adhered to; and (d) a view on whether the resourcing of the function is appropriate, sufficient and effectively deployed to achieve the desired internal audit coverage.

The Executive Board may wish to (a) take note of the present report, (b) express its continuing support for the strengthening of the capacity of the internal audit and investigations functions, and (c) take note of the report of the Audit Advisory Committee.

17-09790 (E) 140617

Please recycle

I. Introduction

1. The present report provides a description of the internal audit and investigation functions in UN-Women and the related activities for the year ended 31 December 2016. It includes information regarding the main results of the audit reports issued in 2016 and the status of management's efforts to implement the audit recommendations made in the current and prior years' reports. Information is also presented relating to investigation activities, such as the number of new and continuing cases, the nature of the cases and the outcomes of investigations concluded during 2016.

II. Assurance

2. To maximize the level of assurance provided with regard to governance, risk management and internal controls, with the resources available, the audits conducted by the UN-Women Audit Unit continue to be focused on those areas of governance, management and operations assessed as posing a high level of financial, reputational, legal and functional risk to UN-Women and to the achievement of its goals. In 2016, the UN-Women Audit Unit continued to expand its audit coverage through the inclusion of financial audits of projects implemented under the Direct Implementation Modality (DIM) in its audit portfolio. Subsequent to endorsement by the Audit Advisory Committee, the Under-Secretary-General/Executive Director approved the 2016 annual work plan. During 2016, there were no challenges encountered while discharging OAI's oversight responsibilities that necessitated providing timely information to the Executive Board, per decision 2015/4.

A. Mandate

3. In response to the biennial Service Level Agreement between OAI and UN-Women, a dedicated UN-Women Audit Unit (the Unit) was created in March of 2012, as a unit within OAI. A new biennial Service Level Agreement for audit and investigations was signed on 18 December 2015. OAI continued to provide investigation services on a reimbursable basis.

4. Throughout 2016, OAI continued to be operationally independent of the management of UN-Women and exercised freedom in determining the scope of its audits and investigations in accordance with applicable international and generally accepted standards.

5. OAI confirms to the Executive Board that audits are performed in accordance with the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics established by the Institute of Internal Auditors. In keeping with those standards, the work of the UN-Women Audit Unit is subject to rigorous review by the Quality Assurance and Policy Unit of OAI. Additionally, post-audit client surveys are conducted at the conclusion of each audit mission. In relation to audits conducted during 2016, the surveys indicated overall satisfaction with the UN-Women Audit Unit and the work performed.

B. Independent external oversight

6. The Audit Advisory Committee continued to provide advice to the Under-Secretary-General/Executive Director to promote and support the accountability framework, good governance and the effectiveness of the internal audit and investigation functions of UN-Women. In 2016, the Committee reviewed the 2016 annual work plan for the UN-Women Audit Unit and monitored its implementation through quarterly progress reports and meetings with the Director of OAI and the Chief of the Unit. In addition, the Committee reviewed and provided comments on the draft annual report for 2016 (UNW/2016/4).

7. The UN-Women Audit Unit also communicated its annual work plan to the United Nations Board of Auditors to promote coordination and efficiency.

C. Risk-based audit planning and completion of annual work plan

8. The 2016 audit plan was formulated after conducting UN-Women field offices risk assessment and after obtaining the input of senior management, divisions and other stakeholders. The planning process included the systematic analysis of both quantitative and qualitative data in order to assess the financial, reputational, legal and functional risks relating to each of the auditable offices and units.

9. The audit plan was reviewed by the Audit Advisory Committee in November 2015 before its submission to and approval by the Under-Secretary-General/ Executive Director, in January 2016.

10. The fieldwork for all audits included in the 2016 plan was completed as scheduled during 2016, with one exception: the audit of resource mobilization in UN-Women. During the planning phase of this audit, a request was made by UN-Women management to postpone the audit until 2017 to permit completion of an on-going internal reorganization and restructuring of the resource mobilization functions. The corresponding audit reports were also issued during 2016, except for the report relating to the audit of the UN-Women country office in Liberia. The field work for the Liberia audit was completed in November 2016 and the report was issued in February 2017.

11. The conduct of a headquarters risk assessment was to be performed using external consultants under the supervision of the UN-Women Audit Unit. This exercise was postponed in consultation with UN-Women senior management to 2017, to allow for the completion of the Internal Review of UN-Women Regional Architecture.

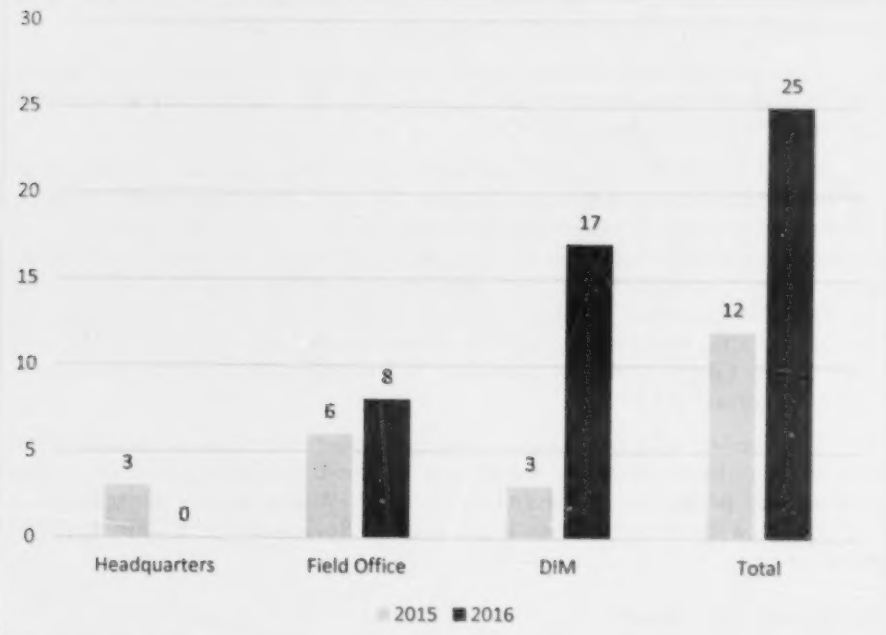
D. Audit reports issued

12. Audit reports for eight field-based offices and 17 DIM projects were issued in 2016. In accordance with decision 2013/4, annex 1 presents the titles of all internal audit reports issued in 2016 and their ratings. Of the 25 reports, nine were related to fieldwork performed in 2015 and the remaining 16 to fieldwork conducted in 2016.

13. All UN-Women reports issued since 2012 are available on the UN-Women audit disclosure website at http://audit-public-disclosure.unwomen.org.

14. The audit reports issued in 2016 generally covered programmatic and operational activities carried out by UN-Women in 2015, meaning that the results generally reflect the status of programmes and operations during 2015. The audits covered the programmatic and operational activities of the UN-Women offices or units and represented combined expenditures of approximately $48.5 million, or 15.4 per cent of the total expenditure of $315 million reported by UN-Women in its financial report for 2015 (A/71/5/Add.12). The audit coverage for 2016 declined by 4.6 per cent in comparison to 2015 (20 per cent), due in part to the increase in total expenditure in 2015 from the year before ($270.5 million to $315 million). The reports issued during 2016 also included one follow-up audit report, in compliance with OAI's policy requiring that a follow-up audit be performed for all audits resulting in an unsatisfactory rating approximately one year after issuance of the original report. While the follow-up audits provide additional verification and assurance that action has been taken to remediate the risks identified, they do not contribute to the computation of overall audit coverage.

Figure I: Number and type of audit reports issued 2015–2016

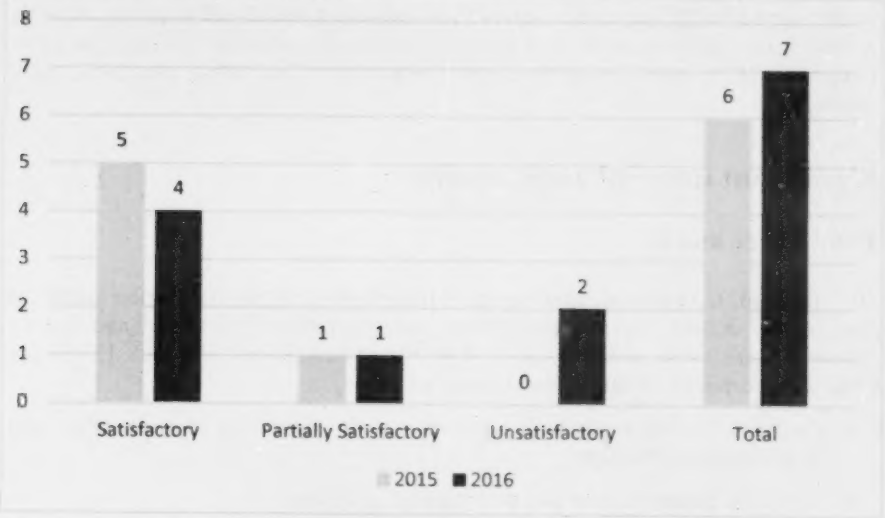


E. Audit ratings

15. For the full scope audits of offices, units and functions (excluding DIM project audits), the UN-Women Audit Unit assigned an overall audit rating of satisfactory, partially satisfactory or unsatisfactory based on its assessment of the governance, risk management and control processes. For the seven full scope audits issued in 2016, two of the offices or units audited (29 per cent) were assessed as

unsatisfactory, which meant that internal controls, governance and risk management processes either had not been established or were not functioning well and that the achievement of the overall objectives of the audited entity might be seriously compromised. One (14 per cent) was assessed as partially satisfactory, meaning that one or several issues that might negatively affect the achievement of its objectives were identified. The remaining four offices or units (57 per cent) were assessed as satisfactory, with no issues identified that might significantly affect the achievement of their objectives. Figure II provides a comparison of the audit ratings.

Figure II: Comparison of audit ratings for 2015 and 2016



III. Disclosure of internal audit reports

16. All audit reports issued in 2016 were publicly disclosed in accordance with Executive Board decision 2012/10 (see UNW/2012/16). All reports are subject to OAI's internal due diligence and quality assurance processes prior to issuance to management and the Member States concerned. Thirty days after issuance, all internal audit reports are publicly disclosed through posting to the UN-Women public website at http://audit-public-disclosure.unwomen.org. Of the 25 reports issued in 2016, OAI partially redacted four audit reports as they contained sensitive information regarding the country office's safety and security readiness and information and communications technology infrastructure. No requests were received from any organization or Member State requesting redaction of audit reports.

IV. Staffing and budget

17. In 2016, UN-Women Audit Unit resources were static with four approved posts: one P-5 (Chief), two P-4, and one P-3.

18. The UN-Women Audit Unit had an overall budget of $1.52 million, representing an increase of approximately $0.02 million compared with the 2015 budget. The audit and investigations expenditure amounted to $1.4 million, which indicated underspending of the budget by 10 per cent, which was mainly attributable to the reduction in travel-related expenditure and expenditure on hiring of consultants, both pertaining to the postponement of the resource mobilization audit.

Decision 2015/4 implications on audit and investigations resources

19. With the Executive Board's decision No. 2015/4, which requires OAI to indicate whether, in its view, the resourcing of the internal audit and investigation function is appropriate, sufficient, and effectively deployed to achieve the desired audit coverage of 20 per cent or above, OAI requested additional resources in 2016. Although several discussions took place in 2016 regarding audit resources, as of 31 December 2016, management had not committed to providing additional audit resources.

V. Significant internal audit results

A. Field office audits

20. In 2016, OAI issued eight reports corresponding to the field office audits of five country offices, two regional offices and one follow-up audit of one country office. In total, those audits resulted in 48 recommendations, of which 13 (27 per cent) were corporate in nature, and related to:

- corporate definitions/criteria/justifications for allocation of core funds and establishment of offices;
- field office management and staffing configurations;
- tools for effective oversight of adherence to Delegation of Authority limits and compliance with mandatory training requirements;
- communication and management of core fund allocations;
- the guidance/requirements for partner capacity assessments and for contracting with individuals; and
- non-compliance with investigation requirements to report alleged wrongdoing.

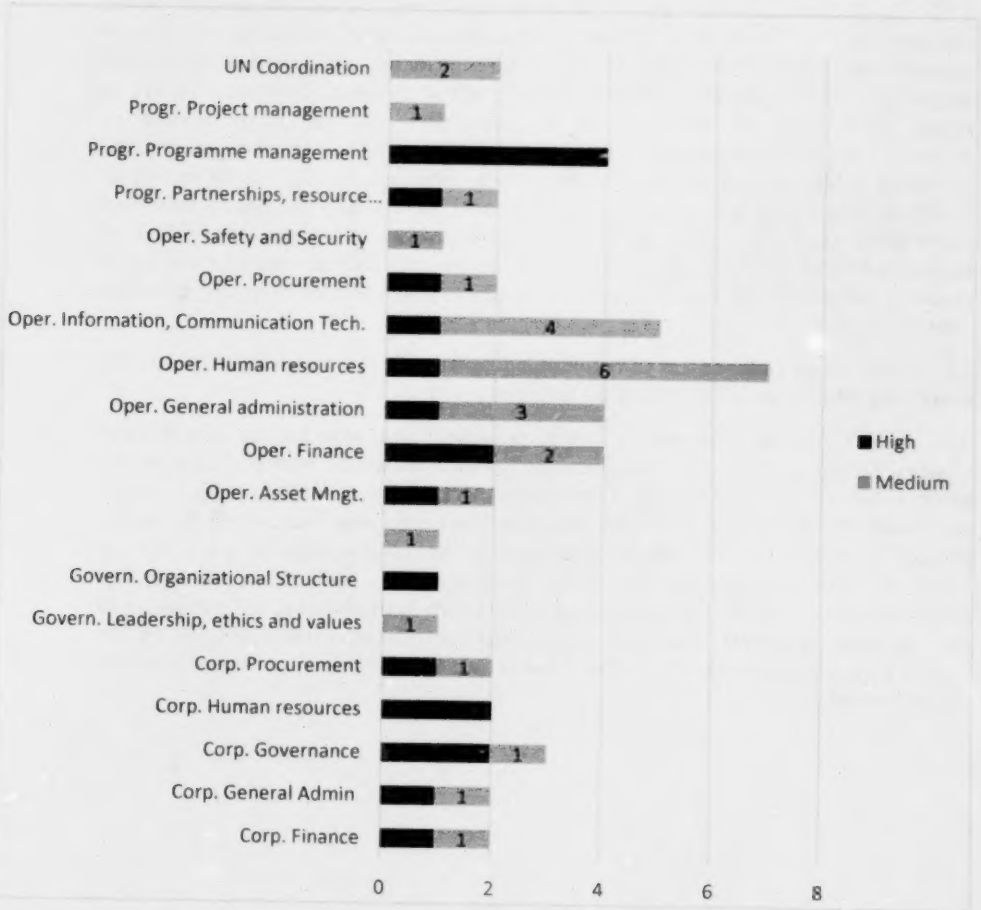
21. In addition, there were two (4 per cent) recommendations pertaining to the governance area (leadership and monitoring), and seven (15 per cent) related to programme activities (including inadequate programme formulation and management, monitoring framework, partner assessments, contribution agreement management, and donor reporting). The remaining recommendations were allocated to the following categories: human resources – seven recommendations (15 per cent), finance and assets management – four recommendations (8 per cent) each, procurement and travel management – two recommendations (4 per cent) each, information and communications technology – five recommendations (10 per cent), with the UN coordination, safety and security and UNDP support categories accounting for one (2 per cent) recommendation each.

22. As in previous years, the UN-Women Audit Unit noted recurring issues in some areas, as well as common issues noted in more than one audit. Specifically,

inadequate programme, project or results monitoring and oversight processes and the lack of monitoring frameworks or plans (two country offices), inadequate management of assets (one country and two regional offices), weaknesses in the management of travel (two country offices), and a lack of compliance with minimum information and communication technology standards (two country, and two regional offices).

23. Of the 48 field office audit recommendations issued in 2016, 20 were rated as high priority, requiring prompt action from management to ensure that UN-Women was not exposed to high risks. Figure III indicates the distribution and prioritization of all field office recommendations issued in 2016.

Figure III: Distribution and prioritization of field office audit recommendations



B. Project audits

24. In 2016, OAI continued the process initiated in 2015 for conducting financial audits of projects implemented directly by UN-Women, which are referred to as the Direct Implementation Modality, or DIM, project audits.

25. According to OAI's mandate, DIM projects may be reviewed as part of the audit of a country office or other business unit or may be audited separately through an external supplier managed by the unit.

26. In 2016, reports were issued for 17 DIM audits. For the 10 DIM audits included in the 2016 work plan, all reports were issued prior to 30 September 2016. The combined audited expenditure for the 17 reports issued in 2016 was $16.4 million.

27. The 17 DIM audits resulted in 14 recommendations. Seven (50 per cent) of the recommendations related to financial management and recording of project expenditures, such as recording of expenditures prior or subsequent to the proper project/accounting period, incorrect charging or coding of expenditures, failure to obtain prior approval and lack of documentation of managerial review of expenditures. Three recommendations (21 per cent) related to project procurements, including inadequate procurement processes and improper timing for the raising of purchase orders. The remaining four (29 per cent) pertained to the management and recordation of project assets, such as an incomplete asset register, or the lack of reconciliation of the fixed assets register to the general ledger, improper coding of assets to the project, and non-adjustment of depreciation related to assets moved to another project.

28. Four (29 percent) of the 14 recommendations were rated high priority, and the remaining 10 (71 per cent) were rated medium priority.

29. DIM audits are financial in nature, providing assurance on the expenditures charged to the project over a defined period and on assets recorded against the project at a defined point in time. The external supplier provides an "opinion" on the statement of expenditures and a separate opinion on the statement of assets for the project, if applicable. The auditor shall express an adverse opinion when, having obtained sufficient appropriate audit evidence, the auditor concludes that misstatements, individually or in the aggregate, are both material and pervasive to the financial statements. One DIM project had received an adverse opinion on the project expenditures while three other DIM projects had received an adverse opinion on the project assets.

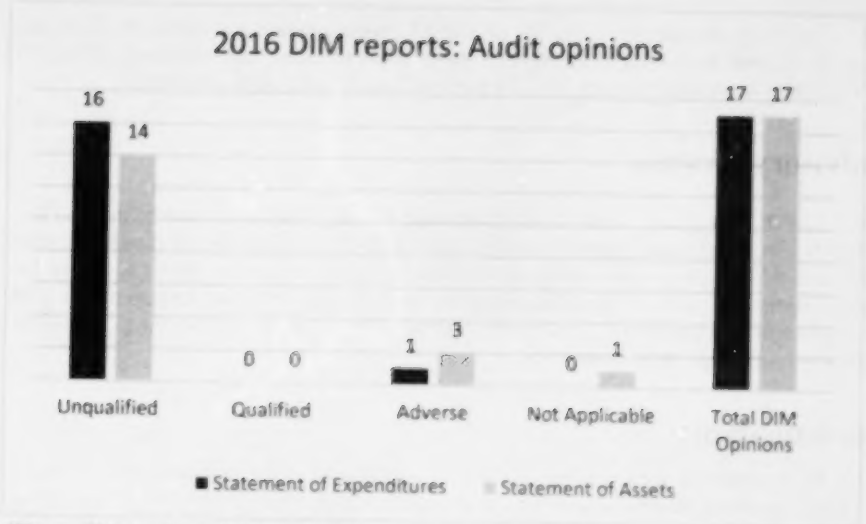


Figure IV: Audit opinions, DIM reports issued in 2016

VI. Follow-up on audit recommendations

30. The overall implementation rate of audit recommendations was 98 per cent as at 31 December 2016, which was 8 per cent higher than the performance target of 90 per cent set by UN-Women. This indicated substantive action by management on the audit issues raised and recommendations made. This calculation is based on the analysis of all reports issued by OAI from 1 January 2013 to 31 December 2016. There were eight recommendations that had not been fully implemented for more than 18 months – of which three were high priority (refer to annex 2 for complete listing). In 2015, there were five recommendations that had been outstanding for more than 18 months.

31. The first two high priority recommendations not implemented for more than 18 months related to the UN-Women Training Centre and required management to perform an analysis to determine the Centre's mandate, mission, role and optimal location and to ensure sustainability through the development and implementation of a resource mobilization strategy. Management has indicated that implementation of these two recommendations is resource intensive. The third high priority corporate recommendation not implemented for more than 18 months related to the UN-Women Regional Office for Arab States, which required management to develop standard job profiles for Regional Directors, Deputy Directors, Country Representatives and Deputy Representatives completed by the end of December 2016. There were five medium priority long-outstanding recommendations in progress in 2016. These recommendations were related to lack of policies and procedures for urgent projects, lack of policies and procedures for reporting on greenhouse gas emissions, absence of agreement between UN-Women and the host country, inefficient process of approving non-standard clauses in contribution agreements and inadequate management of knowledge products, advisory and support services.

32. As at 31 December 2016, 27 of the 48 recommendations made in 2016 had been fully implemented and 21 were in the process of being implemented. Of the 21 outstanding recommendations, six (28 per cent) were rated high priority.

VII. Advisory services

33. The UN-Women Audit Unit continued to respond to requests for advice, information and detailed inputs received from UN-Women managers at headquarters and field offices. The advice covered a range of topics, including donor requests for information, changes to donor agreements and donor reporting requirements and procurement contracts, contract structuring and retrieving project status/management data from Atlas.

VIII. Investigations

34. In accordance with the Service Level Agreement, OAI provides investigation services covering allegations of fraud, corruption and other wrongdoing, including workplace harassment, abuse of authority and retaliation against whistle-blowers, allegedly committed by UN-Women staff members, non-staff personnel and contractors.

A. Caseload

35. In 2016, OAI opened 41 new cases for UN-Women, compared with 19 in 2015. OAI also carried over 10 cases from 2015, bringing the total caseload in 2016 to 51, a significant increase compared to the total caseload in 2015 (28 cases), as shown in Figure V.

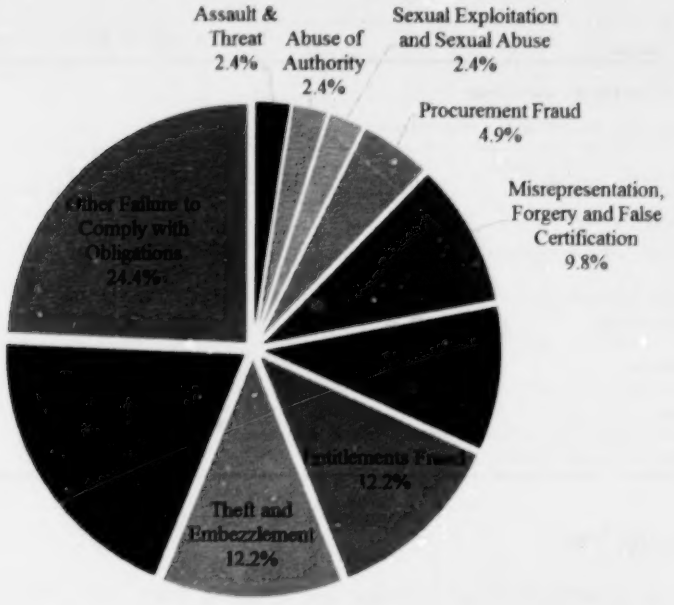
Figure V: Caseload in 2015 and 2016

Caseload	2015	2016
Carry-over as at 1 January	9	10
Intake during the year	19	41
Total	**28**	**51**
Closed (from cases carried over)	7	5
Closed (from intake)	11	20
Total	**18**	**25**
Carried over as at 31 December	10	26

B. Types of complaint

36. The 41 complaints received during 2016 are detailed in Figure VI. Complaints relating to financial irregularities comprised of entitlements fraud (5); misrepresentation, forgery and false certification (4); procurement fraud (2); and theft and embezzlement (5) constituted 39 per cent of all cases received by OAI in 2016, a 13 per cent decrease compared to 2015 (52 per cent).

Figure VI: Case intake by category, 2016


Assault & Threat 2.4%
Abuse of Authority 2.4%
Sexual Exploitation and Sexual Abuse 2.4%
Procurement Fraud 4.9%
Misrepresentation, Forgery and False Certification 9.8%
Other Failure to Comply with Obligations 24.4%
Entitlements Fraud 12.2%
Theft and Embezzlement 12.2%

37. Geographically, the 41 cases received in 2016 were from Sub Saharan Africa (17) (comprised of Eastern and Southern Africa (10), Western and Central Africa (7)); the Arab States (6); Asia and Pacific (4); Americas and the Caribbean (4); Europe and Central Asia (9); and Headquarters (1).

C. Cases resolved/closed

38. OAI closed 25 cases in 2016, 15 after a preliminary assessment (compared to 10 in 2015) owing to insufficient evidence of wrongdoing to justify an investigation or because an investigation was not warranted, and 10 after investigation (compared to 8 in 2015). Of the 10 cases closed after investigation, six resulted in a closure note, two cases resulted in a closure report, and two cases resulted in an investigation report.

39. The cases that resulted in an investigation report were transmitted to the Division of Management and Administration pursuant to the requirements of the UN-Women Legal Framework for addressing Non-Compliance with United Nations Standards of Conduct.

40. Table VII sets out the disposition of cases in 2015 and 2016.

Figure VII: Disposition of cases in 2015 and 2016

Action taken	Cases in 2015	Cases in 2016
After preliminary assessment		
Closed (investigation not warranted)	10	15
Subtotal	**10**	**15**
After investigation		
Closed (not substantiated)	7	8
Closed (substantiated – submitted to UN-Women Management)	1	2
Subtotal	**8**	**10**
Total	**18**	**25**
Investigation reports issued	1	2

D. Financial loss

41. Two investigation reports were issued during 2016, with one of the reports concluding with a substantiated financial loss for UN-Women amounting to approximately $28,360. The amount was comprised of unduly paid rental subsidies. OAI recommended that UN-Women seek to recover the amount from the staff member's final entitlements.

E. Cases carried forward

42. At the end of 2016, OAI had 26 open cases for UN-Women, of which 14 were at the assessment stage and 12 were under investigation.

IX. Opinion *(decision 2015/4)*

43. The management of UN-Women is responsible for maintaining the adequacy and effectiveness of UN-Women's governance, risk management and control. In accordance with UN-Women's oversight policy as part of UN-Women's accountability framework and Financial Rules and Regulations (UNW/2012/6), the United Nations Board of Auditors provides independent external oversight through, among other things, audits of UN-Women's financial statements and related financial procedures, accounting system, internal financial controls and administration and management of UN-Women in general. The primary objective of the work performed by the United Nations Board of Auditors is to express an opinion on UN-Women's financial statements and is different from the objective of the work carried out by OAI.

44. OAI provides, under a Service Level Agreement, independent internal oversight through investigations and internal audits on the adequacy and effectiveness of UN-Women's governance, risk management and control framework. OAI's opinion is based on the audit reports issued between 1 January and 31

December 2016. A concise summary of the audit work that supports the opinion is included in section V of this report and the supporting criteria is described in annex III.

45. The audit recommendation implementation ratio as at 31 December 2016 of 98 per cent, which is above the corporate target set by UN-Women, demonstrates management's commitment to reducing and managing risk and provides assurance that appropriate and timely action is taken, as and when improvements in the governance, risk and control are necessary.

46. In OAI's opinion, based on the scope of work undertaken, the adequacy and effectiveness of the governance, risk management and control in the audits issued in 2016 were in aggregate partially satisfactory, which means that they were generally established and functioning well but needed improvement. OAI would like to add the following: (a) the Executive Board should note that the opinion is based on an audit coverage of 13.5 per cent of the 2015 expenditures of UN-Women; and (b) 27 per cent of all audit recommendations were corporate in nature relating to UN-Women policy guidance and corporate support.

Annex I

Office of Audit and Investigations audit reports issued in 2015 pertaining to UN-Women

	Audit Type	Report No.	Audit Subjects	Rating[1]
Field-based Regional and Country Offices				
East and South Africa				
1	General scope	1612	UN-Women Country Office in Kenya	Satisfactory
2	DIM projects	1709	UNW South Sudan Project 80824 - Leadership and Participation	N/A
3		1710	UNW South Sudan Project 94751 - Responding to Emergency Needs	N/A
4		1707	UNW Rwanda Project 88138 - Advancing and Sustaining Gender Equality Gains	N/A
5		1708	UNW Rwanda Project 88738 - National Scale Up of Isange One Stop Centre Model	N/A
6		1709	UNW Ethiopia Project 00082185 - Strategy to implement Africa UniTe Campaign	N/A
7		1590	UNW Uganda - 69639 Development of the UN Joint Programme on Gender	N/A
Arab States				
8	General scope	1609	UN-Women Country Office in Egypt	Partially satisfactory
9	DIM project	1593	UNW Jordan - 87693 Expanding Syrian Women Refugees Access to Economic Recovery	
Europe and Central Asia				
10	General scope	1610	UN-Women Country Office in Albania	Satisfactory
Asia and the Pacific				
11	General scope	1613	UN-Women Country Office in Timor-Leste	Satisfactory
12		1441	UN-Women Country Office in Papua New Guinea	Unsatisfactory
13	DIM projects	1701	UNW Afghanistan Project 00091905	N/A
14		1702	UNW Afghanistan Project 86906 - Support Women Protection Centres & Ministry	N/A
15		1586	UNW Afghanistan - 86906 EVAW - Afghan Women Protection	N/A
16		1587	UNW-Afghanistan 74132 Advocacy - Norway ICDU	N/A
17		1588	UNW Afghanistan - 88989 EVAW - Netherlands	N/A
18		1589	UNW-Afghanistan 90741 - Belgium 2014 - 2016	N/A
19		1596	UNW Bangladesh DIM Project 00080556	N/A

[1] In view of the nature of the audit or the limited audit scope, the following audits do not have an audit rating: DIM financial audits and follow-up audits.

	Audit Type	Report No.	Audit Subjects	Rating[1]
			West and Central Africa	
20	General scope	1608	UN-Women Regional Office for West and Central Africa – Senegal	Unsatisfactory
21	Follow up	1442	UN-Women Country Office in Mali	N/A
22	DIM projects	1705	UNW Nigeria - Project 00078856 - SRS Nigeria	N/A
23		1706	UNW Nigeria - Project 92637 - Enhancing Women Participation on Electoral Process	N/A
24		1703	UNW DRC Project 00094600 - Intervention d'urgence multisectorielle pour assister	N/A
			Latin America and Caribbean	
25	General scope	1611	UN-Women Country Office in Panama	Satisfactory

DIM=directly-implemented projects

Annex II

Audit recommendations unresolved for 18 months or more

	Recommendation	*Office /Unit Concerned*
1	***Governance and strategic management*** Perform a detailed analysis of the Centre's ability to deliver within the existing context and use the analysis to determine the Centre's mandate, mission, role and optimal location. (R1230/2) (High)	UN-Women Policy Division (UN-Women Training Centre)
2	Maintain adequate funding for the Centre's resource mobilization activities by (a) finalizing, approving and implementing a resource mobilization strategy and a related plan to guide the Centre's resource mobilization efforts; and (b) providing training to management on how to make resource mobilization a sustainable activity. (R1230/4) (High)	UN-Women Policy Division (UN-Women Training Centre)
3	***Organizational structure*** Improve the ability of Regional Offices to efficiently and effectively function by: (a) issuing a memorandum to all Offices that clearly reiterates the roles/functions of Regional Offices and the minimum expectations regarding monitoring and oversight, communications and reporting between the Regional Offices and the respective field offices; and (b) reviewing and updating all job descriptions for Regional Office Directors and Country Representatives to ensure clarity and consistency regarding their roles, responsibilities and authorities. (R1307/1) (High)	UN-Women Regional Office for Arab States
4	***Programme and project management*** Develop and disseminate policies and procedures for engaging in activities on an 'urgent' basis or in a crisis environment, including but not limited to guidance on: (a) what constitutes an 'urgent' or 'crisis-related' project; (b) management arrangements for when headquarters staff are directly involved in field projects; (c) controls for urgent cash transfers and holding in excess of approved petty cash limits; (d) instructions on depositing cash at headquarters; and (e) policy related to changes in delegated authority of the Regional Director. (R1307/1) (Medium)	UN-Women Regional Office for Arab States
5	Strengthen the processes for managing knowledge products and support services by: (a) developing a strategy and implementation plan for the regional knowledge hub that would determine how knowledge products are to be gathered, produced, maintained, accessed/disseminated and communicated to interested parties; (b) implementing procedures for regular communication of the support and advisory resources available within the Office, their functions and roles, as well as a process for requesting their assistance; (c) implementing communications protocols for external UN-Women offices and presences in the region as well as other external stakeholders; and (d) implementing a system for tracking services requested and provided. (R1307/3) (Medium)	UN-Women Regional Office for Arab States
6	***Governance***	UN-Women

	Recommendation	*Office /Unit Concerned*
	Finalize and implement UN-Women specific policies and procedures, consistent with the 'Strategic Plan for Sustainability Management in the United Nations', that facilitate accurate computation and reporting on greenhouse gas emissions. (R1434/1) (Medium)	Travel Management Function
7	***Governance*** Request the Permanent Mission of the United Republic of Tanzania to the United Nations to advance the negotiations regarding the host country agreement and the Office's mandate. (R1436/1) (Medium)	UN-Women Country Office in Tanzania
8	Implement a corporate process to track non-standard clauses in contribution agreements and adjust resources and activities to meet donor requirements. (R1436/3)	UN-Women Country Office in Tanzania

Annex III

Description of criteria that support OAI's opinion

1. In accordance with Executive Board decisions 2015/4 of June 2015, the Office of Audit and Investigations (OAI) provided an opinion in this Annual Report, based on the scope of work undertaken, on the adequacy and effectiveness of the audited framework of governance, risk management and control (GRC). The summary of the audit work performed is provided in the body of the audit report, under section V. This annex is to provide a brief description of the criteria used to support OAI's opinion.

2. The implementation rate of internal audit recommendations is taken into consideration and compared to the UN-Women's target of 90 per cent overall implementation rate. The actual implementation rate of internal audit recommendations at the end of 2016 is 98 per cent and is therefore satisfactory when compared to the UN-Women target.

3. The results of the following audits are also taken into account to support OAI's opinion:

a) Audits of UN-Women country offices
b) Audits of UN-Women headquarters functions or units; and
c) Audits of UN-Women DIM projects

4. The distribution of 2016 audit results regarding the adequacy and effectiveness of the governance, risk management and control at the audited entity level is shown in Figures I and II in document 2016/4 which shows the distribution of the number of audit reports that were issued by OAI in 2016 by type of audit rating: "satisfactory", "partially satisfactory" and "unsatisfactory".

5. In addition, the audit results are aggregated using the amount of expenditure covered by the audits undertaken in 2016. The result of this aggregation is then grouped by the three levels of audit rating used by OAI: "satisfactory", "partially satisfactory" and "unsatisfactory.

6. Adjustments were made in the aggregation of expenditure for the directly implemented projects (DIM) because the scope of the DIM financial audits focuses on a financial certification of expenditure and, therefore, these audits do not directly assess the governance risk management and control (GRC) aspects of a project in UN-Women. Nonetheless, they do provide indirect comfort about the UN-Women GRC. As such, OAI estimated that the results of the DIM financial audits give a 50 per cent weight on the assurance about UN-Women GRC. The 17 financial DIM audits were coded using the following conversion rates.

Conversion rates of DIM opinions to OAI ratings

[illegible]	[illegible]
Unqualified or Qualified and NFI is less < 1%	Satisfactory
Qualified and NFI is from 1% - 2 %	Partially satisfactory
Qualified and NFI is > 2% or Adverse/Disclaimer Opinion	Unsatisfactory

7. This leads to two different distributions by audit rating, one presented by number of audit reports issued and the second by the amount of expenditure covered by the audits.

8. The distribution of audit ratings for 2016 is as follows:

Figure 1: Distribution of audit ratings

Rating	By audited expenditure	By number of audit reports issued
Satisfactory	53%	71%
Partially satisfactory	27%	17%
Unsatisfactory	20%	12%

9. For the distribution based on audited expenditure, the combined share of "partially satisfactory" and "unsatisfactory" ratings account for 47 per cent of the audited expenditures. 27 per cent of the audit reports were partially satisfactory or unsatisfactory.

10. Consequently, based on the scope of work undertaken in 2016, in OAI's opinion, the adequacy and effectiveness of the Entity's framework of governance, risk management and control (GRC) were "partially satisfactory" which means that they were generally established and functioning well but needed improvement

Annex IV

Summary of substantiated investigation cases in 2016, by type of allegation

	Location	Allegation	Estimated Loss to UN-Women	Report sent to	Status
	Entitlements Fraud				
1	Sub Saharan Africa	Service contractor knowingly submitted fraudulent medical claims.	No financial loss to the organization. CIGNA sustained a financial loss in the amount of $487.10	UNW-DMA	Under review
2		Staff member misrepresented information in order to fraudulently obtain benefits from rental subsidies	UNW sustained a financial loss of $28,360.02	UNW-DMA	Under review